

# **CITY AUDITOR'S OFFICE**



## **AUDIT OF CITYWIDE LONG DISTANCE TELEPHONE CALLS**

**Report No. CAO 2006-0607-11**

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**CITY AUDITOR**

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# **AUDIT OF CITYWIDE LONG DISTANCE TELEPHONE CALLS CAO 2006-0607-11**

## **BACKGROUND**

Long distance calls from office desk phones are part of the daily work environment. The cost of long distance service is approximately \$14,500 per year for the City of Las Vegas. Long distance calls totaled approximately 5.8 man years (270 person weeks) used. Information Technologies (IT) has developed an in-house Phone System for the monitoring of long distance calls and for the simplification of the payment process for personal long distance calls. The development and implementation of the City's Phone System was a major development in providing a monitoring mechanism. There is a wealth of information in the Phone System, which can be used for management's control over phone usage and for the control of costs.

Long distance phone usage is governed by:

- Communications Equipment Policy (IT121.3) and Procedures (IT121a.3)
- Information Resources Use Policy (IT136)
- Operations Manual Financial Personal Reimbursements (F.17)
- Personnel Policies Manual - Health / Safety - City Property, Security, Privacy and Searches (9.06).

## **OBJECTIVE**

Our objectives in completing the audit of citywide long distance phone charges were to ensure that:

- Current policies and procedures have been established in accordance with applicable guidelines.
- Management controls are adequate and operating as intended.
- Monitoring procedures are in place to prevent abuses.

## **SCOPE AND METHODOLOGY**

The scope of our audit included reviewing all long distance phone records maintained in the City's Phone System for the period July 1, 2004 to June 30, 2006. Over 210,000 long distance phones records were tested and reviewed, over the two fiscal years.

Our fieldwork was performed in accordance with generally accepted governmental auditing standards. Procedures included:

- Interviewing applicable city personnel
- Researching applicable guidelines

- Performing various audit extracts and analysis of the data

- Testing established management controls

## **FINDINGS AND RECOMMENDATIONS**

Our audit identified issues management should address relating to the enhancement of monitoring controls of long distance calls. The issues are summarized in the following sections. There were other issues identified and discussed with management, they were deemed less significant for reporting purposes.

City policy states personal long distance calls can be made provided they are "reasonable" and reimbursement is made to the City for the calls. There are no guidelines as to the definition of reasonable calls.

### **Accountability**

#### **Criteria:**

Property and services provided or paid by the City are to be used for city business purposes. Personal business usage is minimal and incidental. (IT121.3)

Employees issued long distance access codes and /or using cell phones shall review phone call usage on a monthly basis and reimburse the City through payroll deduction for any costs incurred as a result of personal use. (IT121.3)

Use of cellular phones to place long distance calls should be restricted to times when a landline is not available. (IT121.3)

Property and Services provided or paid for by the City are to be used for city business purposes. (IT121.3)

#### **Conditions:**

1. The Phone System provides information which can be used for management's control and review of long distance usage and the control of costs.

The following is a summary:

#### **Long Distance – Calls Identified as Business or Personal**

Type	Call Count	Percentage	Call Length	Percentage
<b>Totals</b>	<b>210,923</b>		<b>646,452</b>	
Personal	9,768	4.6 %	39,393	6.1 %
Business	201,155	95.4 %	607,058	93.9 %

The majority of long distance calls were classified as business by employees. There is no active and ongoing review program that validate if all personal calls are being identified and reimbursed.

2. It was noted that there are various third party charges on the local vendor bill. Third party charges are incurred when the user incurs an expense that is billed to the City phone number. Third party billings are in addition to the normal monthly charges and run between \$400 and \$1,000 per month. International calls are billed separately and there is no active and ongoing review of call usage.

Third party billings and reduction in international calls could realize possible annualized savings of between \$4,800 and \$12,000.

3. Current procedures for use of long distance require an access code to be entered to complete the call. The audit revealed gaps in this control.

- There were 86,929 long distance calls placed which totaled 228,015 minutes of usage, which did not require the entry of an access code. All fax machines have open access to long distance, along with other specialized phone lines that do not require an access code. There is no active and ongoing review program over this usage. (Dollar impact \$5,114)

4. There are phones provided in Council Chambers for the local newspaper personnel. Over the audit period there were 1,079 long distance calls placed which totaled 4,172 minutes of long distance usage. From a business standpoint there should be few if any long distance calls being made. (Dollar impact \$93.57)

5. Over the audit period there were 37 long distance codes with more than 500 calls. The highest code had 1,563 calls using 4,070 minutes. There is no active and ongoing review program to validate the business reason for the calls.

6. There were 2,000 long distance calls being 15 minutes or more in length. The longest call was 346.8 minutes in length. There is no active and ongoing review program to validate the business reason for the calls.

**Cause:**

There is no detail ongoing review program over long distance phone usage. The only monitoring performed is to make sure that each individual reviews their monthly phone bill for business and personal calls. This current program does not provide adequate assurances that possible abuses are not taking place.

**Effect:**

Without an effective monitoring program there are opportunities for abuse of the system.

- If strong monitoring program was put into place, that employees are made aware of, the deterrence factor would increase and more accurate reporting of call type by employees would take place.
- Without an active and ongoing monitoring program there is no means of telling if all personal calls are reported and reimbursement is being made.
- Without an effective monitoring program to uncover possible discrepancies the City could be incurring needless costs.

**Recommendation:**

1. Management should establish a more active and ongoing monitoring program over long distance call usage.

## **MANAGEMENT RESPONSES**

### **Accountability**

#### **Recommendation:**

Management should establish a more active and ongoing monitoring program over long distance call usage.

#### **Management Plan of Action:**

**Response:** IT will provide monthly departmental reports of users that exceed established usage thresholds to ensure minimal misuse of long distance. However, based the recommendation in the Cell Phone Audit to encourage use of desk phones for long distance calls, the use and cost of long distance call services may increase.

**Estimated Date of Completion:** 07-02-2007